Housing Finance Options Analysis

Financial and Fiscal Commission: Public Hearings

Presenter: Ulrike Rwida | Public Finance, National Treasury | 7 November 2012



South African Housing Profile

	No. households	Per cent
Dwelling/house or brick/concrete block structure on a separate stand or yard or on farm.	9 094 075	63.6%
Traditional dwelling/hut/structure made of traditional materials	1 384 536	9.7%
Flat or apartment in a block of flats	656 190	4.6%
Cluster house in complex	103 771	0.7%
Town house (semi-detached house in complex)	198 116	1.4%
Semi-detached house	160 183	1.1%
Dwelling/house/flat/room in backyard	381 643	2.7%
Informal dwelling/shack in backyard	736 026	5.1%
Informal dwelling/shack not in backyard; e.g. in an informal/squatter settlement or on farm	1 122 663	7.8%
Room/flatlet on a property or a larger dwelling servants' quarters/granny flat	405 798	2.8%
Caravan/tent	4 054	0.0%
Other (specify)	57 157	0.4%
Total no. households	14 304 211	100.0%

Source: General Household Survey, 2010



South African Housing Profile

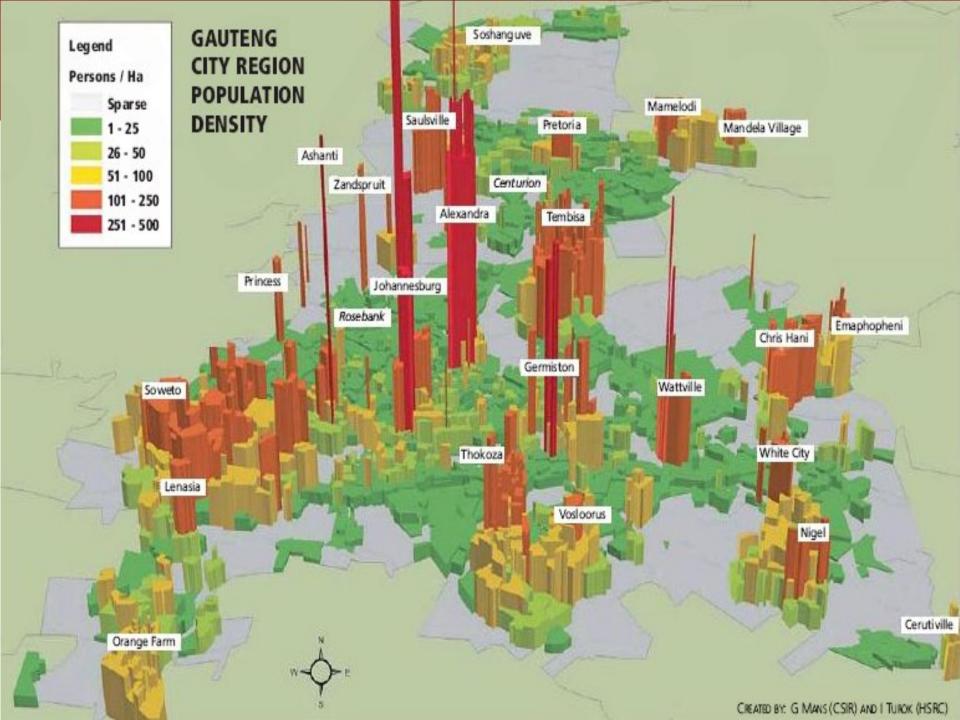
Ownership of dwelling	Total	Percentage
Rented	2 975 603	21%
Owned; but not yet paid off to bank/financial institution	1 023 899	7%
Owned; but not yet paid off to private lender	178 012	1%
Owned and fully paid off	8 413 674	59%
Occupied rent-free	1 606 237	11%
Other	91 813	1%
Do not know	14 973	0%
Total	14 304 211	100%

RDP or state subsidised dwelling	Total	Percentage
Yes	2 695 039	19%
No	11 534 756	81%
Do not know	5 442	0%
Unspecified	68 973	0%
Total	14 304 211	100%

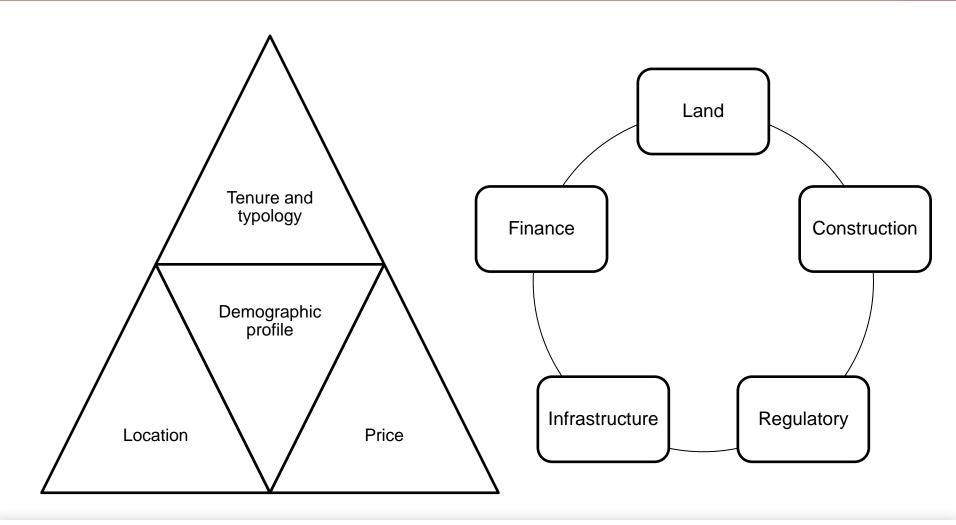
Source: General Household Survey, 2010





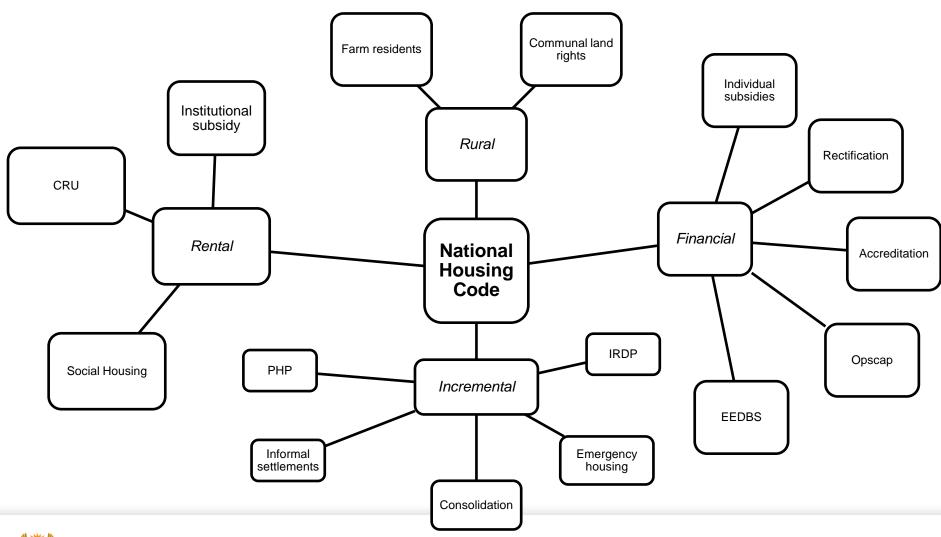


Housing Demand and Supply





Policy response





Funding/Financing mechanisms to support policy

Human Settlements Development Grant

- To provinces
- Delivery of housing programmes from individual subsidy, integrated residential programme, community residential programme, rural housing, etc.
- R50.4 billion over 2012 MTEF

Urban Settlements Development Grant

- To metropolitan municipalities
- Bulk infrastructure, land and basic services to support informal settlement upgrading
- R27 billion over 2012 MTEF

Restructuring Capital Grant

- Via SHRA to accredited Social Housing Institutions
- Medium density rental housing in designated restructuring zones
- R2.2 billion over 2012 MTEF

Development Finance Institutions

- National Housing Finance Corporation
- National Urban Reconstruction and Housing Agency
- Rural Housing Loan Fund



Government investment in the housing value chain

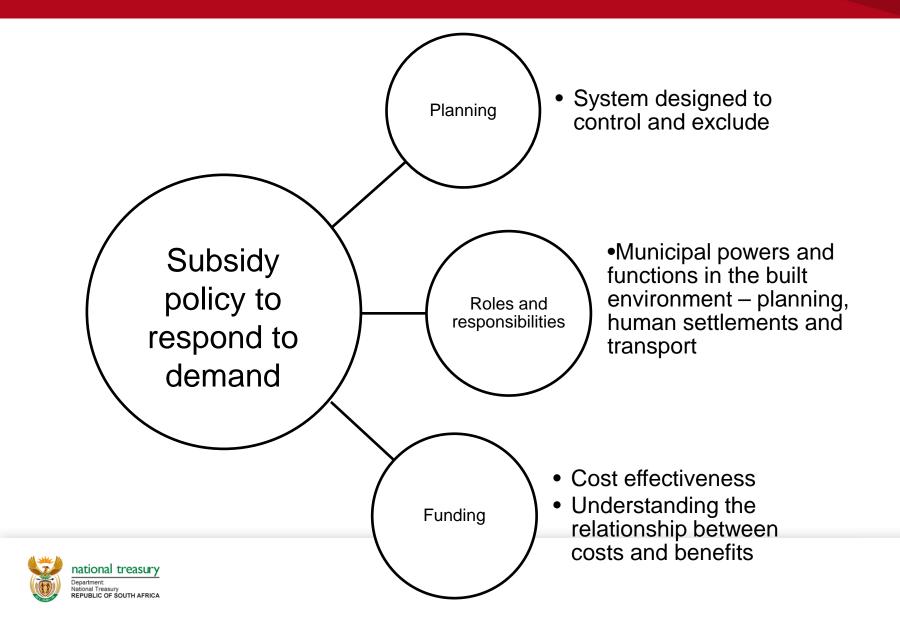
- Public goods
- Market failure

Current mechanism is costly...but is it effective?

- What about the benefits?
 - Fixed investment
 - Consumption
 - Household welfare



Effective policy response



Effective policy response

Secure tenure and land regulation

- Township proclamation
- Title registration as catalyst to household investment
- Regulation for incremental improvements to housing

Public investment in public infrastructure

Municipal services and densification to improve location choices

Household investment in housing

- Incentives to invest vs. incentive to wait
- Trade-off between higher housing costs and lower transport and services costs
- Design incentives and mechanisms to respond to heterogeneity

